United Nations A/54/269

General Assembly

Distr.: General
20 August 1999

Original: English

Fifty-fourth session
Item 100 (f) of the provisional agenda*
Sustainable development and international economic cooperation: implementation of the Programme of Action for the Least Developed Countries for the 1990s

Implementation of the Programme of Action for the Least Developed Countries for the 1990s

Report of the Secretary-General

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I. Introduction

1. The present report has been prepared in response to General Assembly resolution 45/206 in which the Assembly requested the Secretary-General to report, on a continuing basis, on the implementation of the provisions of the Programme of Action for the Least Developed Countries for the 1990s.[1] It updates the last report (A/52/279) submitted to the General Assembly. The present report seeks to provide the latest information on the implementation of the Programme of Action. Section II provides an overview of the recent economic performance of the least developed countries, and the policies and measures adopted by them in line with the recommendations of the Programme of Action and those of the Mid-term Global Review of Progress towards the implementation of the Programme of Action,[2] conducted in 1995. Section III reviews the overall arrangements made for implementation, follow-up and monitoring of the Programme of Action at the national, regional and global levels. Section IV describes the measures taken by organs, organizations and bodies of the United Nations system; and section V provides available information on international support measures in the fields of external resources, debt and trade. Conclusions and recommendations are contained in section VI.

II. Recent economic performance and policy developments in the least developed countries

2. The macroeconomic and structural reforms that were undertaken by the majority of the least developed countries in the 1980s continued through the 1990s. They have contributed to producing, in general, tangible results and stimulated higher growth rates in the least developed countries. In addition to the painful austerity measures entailed by implementation of the reforms, the economies of the least developed countries had to endure declining aid flows, debt overhang and depressed commodity prices. Except for Angola, Burundi, the Democratic Republic of the Congo, Djibouti, Haiti, Rwanda and Sierra Leone, all of the least developed countries for which data are available recorded, on average, positive growth in real gross domestic product (GDP) in the period 1990–1997, although there were wide variations in country performance in annual growth rates over the period. The annual average rate of growth of the least developed countries as a group was 3.1 per cent in the period 1990–1997. The annual average rate of growth of per capita GDP was, however, 0.5 per cent, as compared with 2.9 per cent in the period 1980–1990.

3. Preliminary data available for 43 of the least developed countries indicate that GDP increased by 4.7 per cent in 1997, as compared with the previous year. The corresponding rates of growth in 1996 and 1995 were 5.1 per cent and 6.2 per cent, respectively. The rate of growth of per capita GDP decelerated in 1997 to reach 2.1 per cent, as compared with 3.6 per cent and 2.5 per cent in 1996 and 1995, respectively. Twenty of the least developed countries achieved GDP growth rate of 5 per cent or more in 1997, with three countries (Equatorial Guinea, Mozambique and Rwanda) recording double-digit growth. The rate of growth of GDP for two of the least developed countries (Democratic Republic of the Congo and Sierra Leone) was negative.

4. According to the Economic Commission for Africa (ECA), the least developed countries in Africa, as a group, continued to increase their growth momentum. Preliminary data for 1998 indicate that those countries managed to boost their growth to 4.1 per cent, compared to 2.4 per cent in 1997. Equatorial Guinea sustained its double-digit growth, although at a much lower level than in the previous year, while Benin, Burundi, Sudan, Togo and the United Republic of Tanzania exceeded their previous year's levels.

5. The economic performance of the least developed countries in Asia remained mixed in 1998, mainly due to the differential impact of the Asian financial crisis on South and South-East Asian least developed countries. The former, with inconvertible local currencies and relatively low foreign private capital inflows, proved less vulnerable to the effects of the crisis. With the exception of Nepal, it is estimated that those countries recorded an average GDP growth rate of more than 5 per cent in 1998. On the other hand, intra-regional foreign direct investment (FDI) on which South-East Asian least developed countries so heavily depend, slowed as investors from Malaysia, Singapore and Thailand delayed or cancelled projects, with adverse consequences for growth of the subregion's least developed countries.

6. Economic performance among the Pacific Island least developed countries varied. Samoa, which greatly depends on agriculture, had a GDP growth rate of 3.7 per cent in 1997, the best performance among the Pacific Island countries. This relatively good performance is largely attributed to efforts at diversification in terms of expansion in fish and copra production as well as in industry, based mainly around coconut products. At the other end of the spectrum are the Solomon Islands, whose forestry exports were adversely affected by the Asian crisis in 1997 and 1998, and whose public expenditure was drastically reduced

in an attempt to redress the fiscal deficit. As a result of these developments, the economy went into recession in 1998, with GDP growth estimated to have contracted by 2.8 per cent.

7. GDP growth in Haiti is estimated at about 4 per cent in 1998, compared to 1.1 per cent recorded in 1997, while inflation fell to 8.5 per cent from almost 21 per cent the previous year. Since agriculture provides just over a third of total GDP, much of the improved GDP performance is probably underscored by the 60 per cent increase in rice yields and the recovery in the manufacturing sector, which began since 1994. In the last quarter of 1998, however, hurricane Georges caused severe damage to the island's economy, especially the agricultural sector and transportation infrastructure, but the full impact of the damage is expected to be felt during 1999–2000.

8. The short-term prospects for the least developed countries will be influenced by factors such as the level of official development assistance (ODA), effectiveness of debt relief measures and the evolution and the final resolution of the Asian crisis. The latter will, in particular, affect areas such as resource flows, especially private capital flows, prices of non-fuel commodities of export interest to the least developed countries, and Asia's fledgling trade and investment links, especially with the least developed countries in Africa.

9. The recent economic performance of the least developed countries was positive but weak, compared to their performance in the mid 1990s. That performance was underscored by the major developments in the global economy, especially the financial meltdown in Asia and the accompanying economic crisis, which triggered a collapse in commodity prices. Also, the effects of bad weather, especially El Niño, which depressed agricultural production in 1997, spilled over into 1998.

10. There has been very limited progress in the area of trade diversification. Most of the least developed countries have remained commodity-dependent, and in the decade up to mid 1990s, export concentration increased for 10 of the 22 least developed countries for which data are available. The extent of export diversification for the remaining 12 has also been limited and was accompanied by expansion of supply capacity in manufacturing and industries in only two of the least developed countries — Uganda and Vanuatu. Although data are not available for recent years, the situation is unlikely to have changed significantly. At the aggregate level, the least developed countries as a group have become further marginalized in the global economy, especially in terms of their share of world, exports and imports.

11. Given the weak economic performance of the least developed countries during the early part of the 1990s, it is not surprising that a decline in human welfare has not been averted in almost all of these countries. In 1993, 42 of the least developed countries were classified in the low human development category by the United Nations Development Programme (UNDP).[3] Five years later, the number of the least developed countries in that category had dropped to 35, but the proportion of the least developed countries in the category had increased: the least developed countries made up four fifths of the group in 1998, compared to two thirds in 1993.

12. The weakening of economic performance in the past two years due to, *inter alia*, unfavourable climatic conditions and weak commodity prices, together with a more challenging global economic environment, suggest that the recent economic performance of the least developed countries might be difficult to sustain without further diversification of their economies so as to reduce their vulnerability to exogenous shocks. The sustainability of the recent growth performance of the least developed countries would also depend on increasing the level of gross domestic saving and gross domestic investment, the supply of critical skills and consolidation of political and macroeconomic stability.

III. Arrangements for the implementation, follow-up and monitoring, and review of the Programme of Action

13. The Programme of Action recognizes that effective follow-up and monitoring mechanisms are important in supporting the development efforts of the least developed countries and are a key to the successful implementation of the Programme of Action for the 1990s. Implementation, follow-up and monitoring, and review of the Programme of Action are being conducted at the national, the regional and the global levels.

A. Follow-up at the national level

14. At the national level, the United Nations Development Programme (UNDP)-sponsored round-table meetings and the World Bank consultative and aid groups continued to be the principal means of policy dialogue, for coordinating the aid efforts of development partners and mobilizing the

required resources for the implementation of the development programmes of the least developed countries concerned. The meetings were instrumental in undertaking commitments by development partners of the least developed countries in support of implementation of the Programme of Action at the national level and in support of policy measures adopted by the least developed countries for the implementation of the Programme of Action.

15. Since the adoption of the Programme of Action, more than 100 round-table meetings and consultative group meetings have been organized. During the period 1997–1998, round-table meetings were organized for eight of the least developed countries (Bhutan, Djibouti, Lao People's Democratic Republic, Lesotho, Niger, the Gambia, Mali and Chad). Round-table conferences have so far been organized in 1999 for Guinea-Bissau and Maldives. Further round-table conferences are scheduled in 1999 for Burundi, Comoros, Madagascar and Sao Tomé and Principe. Round-table conferences for Benin and Burkina Faso are scheduled for early 2000. The meetings played an important role in coordinating technical cooperation programmes of the development partners of the least developed countries, policy dialogue and the mobilization of resources. During the period June 1996 to May 1999, the World Bank Consultative Group/donor meetings were held for the following least developed countries: Bangladesh, Cambodia, Guinea, Liberia, Malawi, Mauritania, Mozambique, Sierra Leone, United Republic of Tanzania, Uganda and Zambia. In 1999, UNDP undertook a thorough evaluation of the round-table mechanism, its follow-up sector meetings and related activities, with a view to making it more responsive to the challenges of development of the least developed countries.

B. Follow-up at the regional level

16. In the Programme of Action, the regional commissions were called upon to monitor, in coordination with the United Nations Conference on Trade and Development (UNCTAD), the progress in economic cooperation between the least developed countries and other developing countries, particularly countries in the same region, and to organize, on a regular basis, cluster meetings in order to improve and strengthen existing cooperation arrangements at the regional and subregional levels. The regional commissions were also called upon to ensure that the needs and problems of the least developed countries were addressed as part of their ongoing work.

17. The Economic Commission for Africa (ECA) undertook a series of activities in response to the Programme of Action to ensure sustained economic growth and sustainable development in the African least developed countries and to enable them to participate in and benefit from the process of globalization and liberalization. The activities of ECA in favour of the least developed countries are carried out through a combination of research work, including the *Report on Economic and Social Conditions in Africa* (1997) and *Economic Report on Africa* (1998, 1999), and technical assistance, including provision of advisory services. Operational activities consist of providing assistance to the African least developed countries in development, planning, modelling and forecasting and preparation of reports to group meetings of particular interest to the least developed countries.

18. In 1997, the ECA convened the sixth session of the Conference of the African Ministers of Finance, under the theme "Financial-sector reforms and debt management", against the backdrop of liberalized financial sectors in African countries. In 1998, ECA organized the Ad hoc Expert Group Meeting on Enhancing Africa's Participation within the Framework of Multilateral Trade Negotiations, as a follow-up mechanism to the first Ministerial Conference of the World Trade Organization (WTO). The experts discussed modalities for facilitating Africa's effective participation in the second WTO Ministerial Conference.

19. The joint Conference of African Ministers of Finance and Ministers of Economic Development and Planning, with the theme "The challenges of financing development in Africa", was organized in May 1999 to encourage dialogue among senior African policy makers and Africa's development partners on issues related to international financial systems. Issues of importance to the African least developed countries were addressed. The Conference adopted a resolution on the Third United Nations Conference on the Least Developed Countries, in which the Executive Secretary of ECA was requested to provide support to the African least developed countries in their preparation for the forthcoming Conference at the country, regional and global levels.

20. The Economic and Social Commission for Western Asia (ESCWA) has carried out a number of activities with respect to Yemen. In compliance with General Assembly resolution 52/187, on the Third United Nations Conference on the Least Developed Countries in which the Assembly decided to "assess the results of the Programme of Action during the 1990s at the country level", the Economic Development Issues and Policies Division of ESCWA evaluated the economic performance of Yemen at the end

of 1997. A follow-up study for addressing further progress is being prepared.

21. From its headquarters in Bangkok and the Pacific Operation Centre in Port Vila, Vanuatu, the Economic and Social Commission for Asia and the Pacific (ESCAP) has implemented numerous activities in support of the Programme of Action for the benefit of the 13 least developed countries in the region. A macroeconomic analysis of the countries is conducted annually in the *Economic and Social Survey for Asia and the Pacific*. The impact of the regional economic crisis on the least developed countries was discussed in the 1999 issue. Legislative and technical meetings for the benefit of those countries is being organized under the subprogramme on the least developed and land-locked developing countries. The fourth session of the Special Body on Least Developed and Land-locked Developing Countries was held in April 1999. The Special Body addressed the issues of effective utilization of development assistance and multi-agency integrated initiatives for the development of exports. It adopted a number of recommendations on actions by recipient countries, actions by donor countries and coordination between recipient countries and donors. The recommendations, along with recommendations of the Special Body on other issues, were subsequently endorsed by ESCAP at its fifty-fifth session. The Special Body also noted that, while there would be no subprogramme exclusively on the least developed and land-locked countries in the biennium 2000–2001, the activities for the benefit of those countries would continue to be given high priority in the implementation of all substantive subprogrammes of the ESCAP secretariat. Furthermore, the ESCAP secretariat is executing a number of activities which respond directly to the recommendations of the Programme of Action. They include implementation of projects on enhancing efficiency in external aid utilization in the least developed countries, identification of institutional constraints in selected countries among the least developed in implementing macroeconomic policies and lessons from selected East and South-East Asia countries, and options for exchange rate policy in the least developed countries. The ESCAP secretariat also provides technical assistance, including advisory services to the least developed countries that are member countries.

22. The ESCAP secretariat has initiated preparations for the final review of the implementation of the Programme of Action. The exercise will review implementation at the national, regional and international levels; identify constraints and impediments to its implementation; and recommend measures to support the efforts of countries. Subregional studies will consider finance for development, social issues, external trade performance and economic infrastructure in the least developed countries of ESCAP subregions. Work on issues related to the least developed countries are also being undertaken by other substantive subprogrammes, in the areas of regional economic cooperation; environment and natural resources; population and rural and urban development, statistics; and transport, communication, tourism and infrastructure.

23. Activities of the Economic Commission for Latin America and the Caribbean (ECLAC) with regard to Haiti, the only least developed member country of the region, are being undertaken by the Caribbean Development Cooperation Committee (CDCC), a subsidiary body of ECLAC. Haiti is also recognized as one of the small island developing States and therefore benefits from the activities of the ECLAC subregional office in Mexico City, which is entrusted with the mandate of the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States.[4] The subregional office also functions as a technical secretariat to the small island States of the region in the development and implementation of projects and the compilation of regional reports to such organs as the Commission on Sustainable Development.

C. Follow-up at the global level

24. In accordance with the provisions of the Programme of Action, General Assembly resolution 45/206 and the outcome of the ninth session of the United Nations Conference on Trade and Development (UNCTAD IX), the UNCTAD Trade and Development Board conducted, at its forty-fourth and forty-fifth sessions, the seventh and the eighth annual reviews, respectively, of progress made in the implementation of the Programme of Action. As the background document for the discussion, the Board had before it the 1997 and 1998 reports on the least developed countries. On both occasions, the Board adopted agreed conclusions. In the seventh annual review, the Board expressed concern at the continued decline in the overall share of ODA and exceptionally high level of debt burden of the least developed countries. Declining ODA and a heavy debt burden have had an adverse impact on agriculture development in the least developed countries. The Board observed that, in the short to medium term, improved agricultural performance offered many of the least developed countries the most effective way to raise economic growth rates and expand and diversify exports. The Board also highlighted the importance of human resource development

and of enhancing the role of the private sector in the agricultural sector in the least developed countries. The Board stressed that improved market access was one of the key elements for improving the performance of the agricultural sector in the least developed countries. The Board expressed its concern at the severe problems of regress afflicting a significant number of the least developed countries. It noted the enormous costs of those problems, not just to the least developed countries directly affected but also to the economies of neighbouring countries. It invited the UNCTAD secretariat to continue its analysis of economic reconstruction of countries in regress.

25. In its eighth annual review of the implementation of the Programme of Action, the Trade and Development Board welcomed the fact that the least developed countries as a group had been able to sustain their economic performance. It expressed concern, however, at the considerable uncertainty over the short-term prospects for those countries. It noted that, even if the recovery could be sustained in the coming years, it would not by itself contain the continued marginalization of the least developed countries in world trade or enhance their necessary integration into the global trading system or make much headway in alleviating poverty.

26. The Board also emphasized the critical importance of providing increased ODA and debt relief in sustaining growth and development in the least developed countries. While welcoming major debt relief initiatives, the Board considered that further efforts were needed to alleviate the external debt situation in the least developed countries. It emphasized that, without a sustained and decisive reduction in their external debt and debt service obligations, the growth prospects of the least developed countries and their ability to attract foreign direct investment would remain limited. The Board stressed that the eligibility criteria of the initiative for the heavily indebted poor countries (HIPC) should be flexible enough to take into account different debt situations and to include all of the least developed countries that were truly in need of debt reduction and that were undertaking the necessary reforms.

27. The Board also acknowledged that, with regard to the full and effective implementation of the Marrakesh Ministerial Declaration and the Special and Differential Treatment Measures in favour of the least developed countries, contained in the Uruguay Round Agreements, further enhancement of market access for the least developed country exports and support for their efforts at capacity-building were essential if they were to become integrated into the world economy. An expeditious accession process for the least developed countries which were not members of WTO, on terms consistent with their status, was seen as an integral part of their efforts to reverse their current marginalization in world trade and to become integrated into the world economy and international trading system.

28. The Trade and Development Board also adopted a recommendation at its forty-fourth session and a decision at its forty-fifth session, for consideration by the General Assembly, at its fifty-second and fifty-third sessions, on the Third United Nations Conference on the Least Developed Countries. The General Assembly subsequently adopted resolutions 52/187 and 53/182 on the Conference. The report of the Secretary-General on preparations for the Conference, to be held in 2001, has been submitted to the Assembly at its current session (A/54/...).

D. Other follow-up action

29. In the light of its role as the focal point in the United Nations system for monitoring the implementation of the Programme of Action for the least developed countries for the 1990s at the global level, UNCTAD closely collaborates with regional and subregional intergovernmental institutions and regional commissions and participates in regional and subregional meetings on issues related to the least developed countries, as mandated in the Programme of Action. It assists the least developed countries to undertake consultations among themselves on matters of common interest to them in the context of the implementation of the Programme of Action. It also contributes to the work of the Committee for Development Policy related to criteria for identification of the least developed countries and participates in UNDP round tables and the World Bank consultative group meetings.

30. In pursuit of the comprehensive and integrated WTO Plan of Action for the Least Developed Countries, which was adopted at the first WTO Ministerial Conference in 1996, the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development was organized by WTO in collaboration with the International Monetary Fund (IMF), the International Trade Centre (ITC), UNCTAD, UNDP and the World Bank, in October 1997. The High-level Meeting endorsed the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries (including assistance for human and institutional capacity-building). Core participating agencies in the Integrated Framework are IMF, ITC, UNCTAD, UNDP, the World Bank and WTO. The Integrated Framework aims at enhancing the effectiveness and efficiency of trade-related technical assistance among the core participating agencies

in the Integrated Framework to the least developed countries, through close coordination between agencies. The first step in the Integrated Framework is assessment of trade-related technical assistance needs, which is prepared by the least developed countries themselves. Based on this exercise, the participating agencies formulate and communicate their coordinated response in which each agency, according to its expertise and mandate, and subject to availability of resources, undertakes to implement segments of the technical assistance scheme. The next stage is broadening the exercise so that the least developed countries can seek support from their bilateral and multilateral development partners beyond their needs for trade-related technical assistance, including preparation of multi-year programmes for submission to trade-related round tables, envisaged in the Integrated Framework.

31. The governing bodies of UNDP, UNCTAD and the World Bank endorsed the Integrated Framework. For the purpose of follow-up of the High-level Meeting, a mechanism was put in place to ensure successful implementation over the medium term of activities carried out under the Integrated Framework. The mechanism consists of an inter-agency working group comprising staff from each of the participating agencies in the Integrated Framework and a small administrative unit, established in the International Trade Centre, to service the inter-agency working group and perform the day-to-day work of the Integrated Framework.

32. The response of the six agencies has so far been formulated for 42 of the least developed countries, which have submitted their needs assessment for trade-related technical assistance. Some 20 of them have expressed an interest in organizing trade-related round tables, which are at different stages of preparations.

33. The joint UNCTAD/WTO/ITC Integrated Technical Assistance Programme for selected countries among the least developed and other African countries (JITAP) is another major activity for enhancing the trade performance of the least developed countries. Currently four of them (Benin, Burkina Faso, Uganda and the United Republic of Tanzania) are included in the Programme.

34. UNCTAD, in cooperation with the Government of South Africa and UNDP, organized in June 1999, in Sun City, South Africa, a Coordinating Workshop for Senior Advisers to Ministers of Trade in the least developed countries. The Workshop was organized to prepare the least developed countries for the third WTO Ministerial Meeting, scheduled to be held later in the year, and it was intended to enable the least developed countries to ensure that their interests are properly recognized in the emerging consensus on issues that fall within the parameters of the trade development nexus. Specific proposals were made with the objective of limiting the costs of the multilateral trading system to the least developed countries, enabling them to utilize the system to meet their trade and development objectives. The proposals relate to the effective and full implementation of the WTO agreements and the upcoming negotiations on the built-in agenda and new issues. The proposals were submitted by the least developed countries to the preparatory process for the Third WTO Ministerial Conference and issued as WTO document WT/GC/W/251.

35. The UNCTAD secretariat is organizing a symposium in September 1999 on international investment agreements, with particular reference to their implications for the least developed countries. The symposium follows five regional symposia which were organized for Africa, Asia, the Caribbean, the Andean community and the Arab countries. It is intended to familiarize high-level government officials from the least developed countries with existing international investment arrangements and to contribute to a better understanding and consensus-building in this area. It will, in particular, provide an opportunity for policy makers and negotiators to draw lessons from the negotiation of international investment agreements by examining present international arrangements and initiatives in investment and to reflect on the content and future of deliberations and negotiations of such agreements. It will address the lessons that can be drawn from these arrangements with respect to key issues and concepts, particularly from a development perspective.

IV. Actions by organs, organizations and bodies of the United Nations system

36. In its resolution 45/206, the General Assembly, *inter alia*, called upon international and multilateral organizations, financial institutions and development funds, the organs, organizations and programmes of the United Nations system and all other organizations concerned to take immediate, concrete and adequate steps to implement the Programme of Action. The Secretary General of UNCTAD, in his note of 25 March 1999 to the United Nations organizations and specialized agencies and related organizations, requested information concerning measures undertaken or envisaged to be undertaken by such organizations in support of implementation of the Programme of Action. This section provides a brief account of responses communicated.

A. United Nations

37. The Department of Economic and Social Affairs of the United Nations Secretariat continued to emphasize the plight of the least developed countries in its reports and documents, including its work on the implementation of the International Development Strategy for the Fourth United Nations Development Decade.[5] The Office of the Special Coordinator for Africa and the Least Developed Countries, in monitoring the implementation of the New Agenda for the Development of Africa in the 1990s,[6] organized in 1998 a number of events which were also relevant to the least developed countries. These included an Asia/Africa expert group meeting on improving the productivity and competitiveness of the informal sector in Africa; a forum on Asia/Africa cooperation in export promotion; and an Asia/Africa high-level workshop on advancing financial intermediation in Africa.

38. In addition to the activities which are being carried out by UNCTAD, in its capacity as the focal point for the review and appraisal of the implementation of the Programme of Action and its follow-up at the global level, referred to above, UNCTAD is undertaking other activities in favour of the least developed countries in accordance with the outcome of UNCTAD IX at which it was decided that the least developed countries constituted cross-cutting issues in UNCTAD's work. Consequently, UNCTAD is carrying out activities in favour of the least developed countries in the areas of globalization and development, international trade in goods and services, and commodity issues; investment, enterprise development and technology; and services infrastructure for development and trade efficiency. The work of UNCTAD in the above-mentioned areas is being carried out through a combination of analytical and technical cooperation activities with a view to facilitating their integration into the international trading system and world economy. Issues relating to the least developed countries are highlighted in analytical reports of UNCTAD, including the *Trade and Development Report*, *World Investment Report* and reports prepared for intergovernmental bodies of UNCTAD and for the General Assembly.

39. In accordance with the recommendation of UNCTAD IX — that the least developed countries should have priority in the technical assistance provided by UNCTAD — the level of such assistance has increased. The share of the least developed countries in UNCTAD's total technical cooperation increased from 31 per cent in 1996 to 40 per cent in 1997 and 38 per cent in 1998. Moreover, in accordance with the priority assigned to the least developed countries at UNCTAD IX, a trust fund for those countries to undertake new activities was established and became operational in early 1997. Issues relating to the least developed countries are also being integrated into the work of intergovernmental machinery of UNCTAD, including the work of its three commissions — the Commission on Trade in Goods and Services and Commodities, the Commission on Investment, Technology and Related Financial Issues, and the Commission on Enterprise, Business Facilitation and Development — and their expert meeting.

B. Specialized agencies and related organizations

40. The Food and Agriculture Organization of the United Nations (FAO) provides assistance to the least developed countries in several areas, including capacity-building in agricultural policy analysis and trade-related issues. The assistance included assessments of the impact of the Uruguay Round Agreement on Agriculture and the Decision on Measures Concerning the Possible Negative Effects of the Reform Programmes on Least Developed and Net Food-Importing Developing Countries. FAO also provides assistance to those least developed countries that are in the process of accession to WTO by analysing the implications of membership for the agricultural sector. In conformity with the provisions of the World Food Summit Plan of Action,[7] FAO continues to assist the least developed countries, in its area of competence, for future multilateral trade negotiations. Policy assistance to the least developed countries on the impact of changes in external trading environments for agricultural commodity markets and implications for individual countries has been a regular activity in FAO's programme of work.

41. The strategy for development of agriculture in the least developed countries depends on increased efficiency and productivity in agriculture, promotion of agricultural diversification and generation of rural employment opportunities. The strategy is the main guiding principle of FAO's advisory and technical assistance activities and is being provided mainly through the special programme for food security. FAO also provides assistance to the least developed countries in the area of forestry and fishery. In the area of forestry, the activities cover training, policy analysis and advice, the provision of information and direct technical assistance. In the fisheries sector, assistance is being provided to the least developed countries, *inter alia*, in the areas of technology adaptation and formulation of policies and plans for sustainable development of the sector.

42. The International Labour Organization (ILO), in close collaboration with agencies of the United Nations system and the World Bank and International Monetary Fund (IMF), provides assistance to its member States with a view to enhancing their capacity in the design, formulation and implementation of comprehensive employment strategies and policies and anti-poverty strategies based on job creation, the development of private-sector enterprises, and the application of labour standards. In the field of employment, the objectives of the ILO are to assist member States in the design and implementation of policies to promote employment, improve the functioning of the labour market, enhance the employability of workers, and strengthen protection and equality of opportunities in occupation and employment for vulnerable groups. The ILO oversaw implementation of country employment policy reviews in seven countries, including two of the least developed countries. With ILO's assistance, comprehensive national employment policies are being implemented in two of the other least developed countries. The ILO has contributed to the recommendation of the Programme of Action which relates to the development of human resources by adopting and implementing policies and programmes based on employment-intensive growth. Its programme, in particular, has promoted employment and investment policies in productive and social infrastructures in many of the least developed countries. Experience gained in the programme has shown that, in the least developed countries such as Burkina Faso, Cambodia, Guinea, Lao People's Democratic Republic, Lesotho, Madagascar, Rwanda and Sierra Leone, employment-intensive investments are between 10 and 30 per cent less costly than more equipment-intensive technology options; they reduce foreign exchange requirements by 50–60 per cent; and, for the same investment, they create between three and five times more employment. The ILO has also executed pilot projects on expanding employment opportunities in two of the least developed countries. Four of them benefited from a global programme "More and Better — Jobs for Women" which was launched by the ILO, as its contribution to the Fourth World Conference on Women and to the World Summit for Social Development. The ILO is also carrying out work on private-sector service providers for micro and small enterprises in the least developed countries.

43. During the 1990s, the assistance of the International Maritime Organization (IMO) to the least developed countries has been provided through IMO's Integrated Technical Cooperation Programme, regarding the implementation of international maritime standards. The objectives of IMO's assistance to the 32 of the least developed countries that are coastal or island countries are aimed primarily at institution-building and the strengthening of human resource capacities. IMO has also assisted a number of the land-locked least developed countries which have an interest in inland water navigation systems. Nationals from 39 of the least developed countries received training at the World Maritime University and nationals from 22 of the least developed countries received training at the International Maritime Law Institute, institutions established by IMO to provide advanced-level training to developing countries in specialized maritime subjects.

44. Within its overall policy, the activities of the IMF, particularly those with emphasis on poverty and development of social sectors, as well as on technical assistance, have helped significantly meet the needs of the least developed countries. IMF assistance to member countries consists of policy advice, financial assistance, and technical assistance. Policy advice is provided in the context of the annual Article IV consultations and in IMF financial assistance. The IMF's financial resources are made available to member countries through various facilities, such as the Enhanced Structural Adjustment Facility, the Stand-by Arrangements, the Compensatory and Contingency Financing Facility, and post-conflict assistance. During the period 1997–March 1999, gross disbursement of concessional resources from IMF to the least developed countries totalled SDR 678 million and net disbursement of SDR 95 million.

45. IMF provides its member countries with technical assistance and training in economic and financial matters. Assistance is offered, in particular, in the areas of design and implementation of policy measures, supporting institution-building and improving the quality and timeliness of statistical information. IMF, along with ITC, UNCTAD, UNDP, the World Bank and WTO, participates in the Integrated Framework for Trade-related Technical Assistance to the Least Developed Countries, endorsed by the High-level Meeting (see para. 30). In April 1999, IMF and the African Development Bank established a joint initiative to provide training in economic policy and management to governmental officials and other participants from Africa.

46. The International Telecommunications Union (ITU) continued to extend assistance to the least developed countries. The Buenos Aires Action Plan, adopted by the first World Telecommunication Development Conference (1994), contained special actions for the least developed countries in the areas of development of rural telecommunications, human resource development, management, maintenance, and planning. The second World

Telecommunication Development Conference (1998) adopted the Valleta Action Plan,[8] containing special actions for the least developed countries in the priority areas of introduction of new technologies, sector restructuring, rural telecommunication development, human resource development and management, and financing and tariffs. Actions have been planned for the above-mentioned priority areas. Many of the least developed countries, on the advice of ITU, undertook structural reforms in the telecommunications sector and introduced liberalization, competition and varying degrees of privatization. These have resulted in network growth and modernization.

47. The International Trade Centre (ITC) has developed a core programme of work that addresses the collective needs of the least developed countries. In 1998, the least developed countries accounted for 36 per cent of ITC's delivery from extrabudgetary resources. Nine of them were assisted under 12 country projects, and an additional 27 benefited from 17 interregional and regional projects. In 1998, ITC established a new office for the least developed countries and Africa which coordinates the work of ITC on the least developed countries. ITC, together with other participating agencies, is actively involved in follow-up to the High-level Meeting and its Integrated Framework. Moreover, an administrative unit handling the day-to-day work of the inter-agency working group has been set up at ITC. In accordance with the recommendations of the Mid-term Global Review of Progress towards Implementation of the Programme of Action, ITC organized a number of seminars discussing the practical implications of the multilateral trading system for business operation. In addition, since 1996, ITC has held technical seminars focusing on specific sectors of importance to the least developed countries. ITC continues to provide technical support to organizations involved in international business management training and counselling in the least developed countries. It has organized training workshops and seminars in those countries in the areas of trade financing, trade opportunities, trade in services, trade efficiency, legal information, and commodity diversification. ITC is actively involved in the implementation of the Joint UNCTAD/WTO/ITC Integrated Technical Assistance Programme for selected countries among the least developed and other African countries (JITAP).

48. The United Nations Centre for Human Settlement (Habitat) (UNCHS) currently has operational activities in 32 of the least developed countries. Its activities are mainly concerned with building capacity to address the problems of urban poverty and the consequent deterioration in the living environment experienced by most of the least developed countries. UNCHS activities in Afghanistan, Angola, Burundi, Rwanda, Sierra Leone and Somalia are concerned with major rehabilitation programmes. Its programmes in Burkina Faso, Ethiopia, Madagascar, Mali, the United Republic of Tanzania and Zambia place emphasis on improved urban planning and management. UNCHS has programmes on capacity-building at the local government and community level in Bangladesh, Cambodia, Djibouti, Eritrea, Haiti, Lao People's Democratic Republic, Madagascar, Myanmar and Somalia. These programmes aim at strengthening the ability of local governments to work in partnership with communities to improve their living conditions and create employment opportunities. Projects that link low-income housing development and poverty reduction by maximizing the income-generating opportunities created through the development of indigenous building materials and support to small-scale contractors are being promoted in Burkina Faso, Cape Verde, Chad, the Gambia, Niger and Sierra Leone.

49. The United Nations Development Programme (UNDP) is giving highest priority to increasing the capacity of poor developing countries. This is reflected in concentration of UNDP financial and staff resources for those countries. In addition to its enhanced programmatic efforts and coordination role at the country level, UNDP undertook a number of other initiatives in 1998. In addition to advocating more flexible criteria for heavily indebted poor countries, UNDP is recommending that the debt problem of those countries be linked to an aggressive programme for social development. For that purpose, UNDP is proposing a national partnership facility, which is a catalytic and financial mechanism to be established at the national level. Financing would be assured by debt conversion and by aid resources. In 1999, UNDP will pilot two such facilities, one of which will be in one of the least developed countries.

50. UNDP, together with other participating agencies, is actively involved in the follow-up to the Integrated Framework of the High-level Meeting. Moreover, the joint UNDP/UNCTAD Programme on Globalization, Liberalization and Sustainable Human Development, which was initiated in 1998, supports the development of a conceptual and analytical framework articulating globalization and sustainable human development and the strengthening of the negotiation capacities of poor countries, to enable them to participate better in the negotiations of multilateral trade, investment and financial agreements.

51. Within the framework of its medium-term strategy for 1996–2001, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has undertaken to strengthen specific actions in favour of the least developed

countries with a view to contributing, within its mandate, to the relevant objectives of the Programme of Action and the recommendations of its Mid-term Global Review. To that end, the least developed countries were identified as the priority beneficiaries of UNESCO activities for the period 1996–2001. Therefore, since 1996, each of the major areas of work of UNESCO contains activities of special interest to the least developed countries. Moreover, within each major activity, specific projects for the least developed countries have been formulated and are being implemented. The unit for the coordination of activities relating to the least developed countries has been strengthened and at present is part of the Office for External Relations, responsible for relations with Africa and the least developed countries.

52. The United Nations Development Fund for Women (UNIFEM) completed a study on gender and trade in a number of Pacific island countries, including Vanuatu. The study focused on factors affecting trade implementation and practices as well as the gender impact of trade in social sectors. As a result of the study, dialogue between the ministries of trade, women's focal points in government departments, trade unions and women's non-governmental organizations has increased. In Africa, UNIFEM provided technical assistance to the Intergovernmental Authority on Development (IGAD) for a trade harmonization workshop held in October 1998 for women for the IGAD countries, which include Djibouti, Eritrea, Ethiopia, the Sudan and Uganda. The workshop resulted in an agreed joint action plan, including a specific time-frame and commitments. One of the important actions agreed to at the workshop was the establishment of a women's desk at the IGAD secretariat.

53. The United Nations Industrial Development Organization (UNIDO), in the context of its programmatic and structural transformation starting in January 1998, is making effort to ensure that a substantial amount of the resources of the Organization will be fully devoted to the delivery of technical assistance to the least developed countries. In line with its mandate to focus on assisting the least developed countries, particularly in Africa, out of seven integrated programmes under implementation, five are in the least developed countries (Burkina Faso, Guinea, Rwanda, Uganda and the United Republic of Tanzania). In 1999, integrated programmes are being finalized and/or planned for a further 11 of the least developed countries in Africa and Asia (Burundi, Eritrea, Ethiopia, Lao People's Democratic Republic, Lesotho, Mali, Madagascar, Mozambique, Togo, the Sudan and Yemen).

54. In response to the recommendations of the Fourth Ministerial Symposium on the Industrialization of the Least Developed Countries, convened in December 1997, UNIDO is establishing or reactivating two more field offices in the African least developed countries (Democratic Republic of the Congo, Madagascar), thus bringing the number of UNIDO offices in the African least developed countries to six, half of the total number of UNIDO offices in Africa. In further response to the recommendations of the Ministerial Symposium, UNIDO has started active cooperation with WTO and other participating agencies in the Integrated Framework endorsed at the High-level Meeting.

55. Within the framework of a regional preparatory assistance project, a survey will be undertaken to assess the needs of Benin, Central African Republic, Chad, Mali, Niger and Togo for investment-promotion activities. Other technical cooperation activities envisaged , from which the least developed countries would also benefit, include a training seminar on food safety in fruit and vegetable processing and a regional project on the improvement of good manufacturing practices in the manufacture of essential drugs in African countries. UNIDO is also actively involved, along with other agencies, in the preparation of an Asia/Africa business forum, scheduled to be convened in November 1999. It is also initiating a project on the establishment of an Asian/African investment and technology promotion centre.

56. As part of its efforts to create an enabling environment for the implementation of the Programme of Action for the Least Developed Countries in the 1990s at the country level and to ensure that population is given attention in all United Nations initiatives, in 1998 the United Nations Population Fund (UNFPA) negotiated and secured the inclusion of the population sector as the fifth priority area of the United Nations system-wide Special Initiative on Africa. During the 1990s, UNFPA, in collaboration with development partners, has initiated and supported activities in the areas of population and reproductive health, gender equality, and partnership with civil society. In 1998, UNFPA participated in joint assessments of the needs of refugees and displaced persons, and assistance for emergency reproductive health services was provided in several countries, including Angola, Comoros, Eritrea, Ethiopia, Guinea-Bissau and Lesotho. UNFPA has also been assisting the least developed countries in Asia and the Pacific put productive health services into operation. Expansion of services to remote areas with limited access to health services has been a key feature of programmes in Bangladesh, Cambodia, Lao People's Democratic Republic and the Pacific islands.

57. As the United Nations agency specializing in postal services, the Universal Postal Union (UPU) attaches great importance to implementation of the Programme of Action. UPU provides assistance to postal administrations in the

least developed countries. During the last two programme cycles (1991–1995 and 1996–2000), the least developed countries were given priority access to UPU technical assistance. Moreover, UPU has taken special measures to increase the technical assistance efficiency in national postal services in the least developed countries. A project document for technical assistance to postal administrations in the least developed countries will be submitted to UPU at its twenty-second congress, scheduled to take place this year. According to the project document, the least developed countries continue to be the main beneficiaries of the technical assistance of UPU.

58. The World Bank assistance strategies for individual countries among the least developed tries to address the problem of the lack of capacity of those countries, which affects their ability to absorb and effectively use development assistance. In 1998, net flow under international development assistance (IDA) to all the least developed countries amounted to $ 1.4 billion. In order to make aid more effective, the World Bank has launched the Comprehensive Development Framework, a holistic approach to development which recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural and social structures of the economy. Many of the core elements outlined in the Framework define the vulnerability of the least developed countries. The Framework brings an enhanced focus to critical success factors of development, which are areas where the least developed countries need to build and sustain their capacities. Countries need to be in the driver's seat, and partners should contribute where they have comparative advantage, so that limited aid resources can be used to their greatest effect. The Bank, with UNDP and others, through consultative aid groups and round tables, is trying to improve aid delivery mechanisms to the least developed countries.

59. The World Bank also has strategies for countries in special situations — that is, highly indebted countries, countries affected by or emerging from conflict, small States, and commodity-dependent developing countries. With regard to highly indebted countries, the Heavily Indebted Poor Countries initiative is a comprehensive effort to provide debt relief for countries that have demonstrated commitment to economic reforms.

60. Recognizing the special needs of countries that are currently experiencing or emerging from civil conflict (more than 10 of the least developed countries fall into this category), the international financial institutions are considering exceptional financing mechanisms to assist them. The World Bank is currently working to build a framework that links humanitarian, debt sustainability and development aspects in order to assist such countries. The framework would involve deciding when and how to undertake special arrears clearance or other special financial measures; building partnerships with other donors with different comparative advantages; and selecting the right amount and combination of support — fast-disbursing balance-of-payment support, infrastructure rehabilitation, and/or social protection and re-integration.

61. In July 1998, the World Bank and the Commonwealth secretariat formed a joint task force on small States to study the issues of vulnerability to natural disasters, external economic shocks and risk of marginalization. Conclusion of the exercise will be submitted to the meeting of Commonwealth Finance Ministers scheduled for September 1999.

62. Recognizing the impact of falling commodity prices on developing countries, the World Bank convened an international task force for commodity risk management in developing countries to revitalize global efforts to address this serious development challenge. The international task force will explore sustainable and effective ways to assist developing countries to better manage their vulnerability to risks associated with commodity price fluctuations.

63. With regard to the trade of the least developed countries, the World Bank is fully involved with other participating agencies in the follow-up to the High-level Meeting. Moreover, it is also involved in a number of training activities to help developing countries prepare for the Third WTO Ministerial Conference. The World Bank is also sponsoring a number of seminars to discuss the costs and benefits of trade policy options available to developing countries.

64. The World Intellectual Property Organization (WIPO) has taken a number of initiatives to address the constraints facing the least developed countries in their efforts to become integrated into the culture of intellectual property and the world economy. To that end, a fresh campaign of public awareness-raising and a reassessment of policy and of the institutional activities that would be undertaken by the least developed countries for the development of their intellectual property system have been set in motion. A unit on the least developed countries was established at WIPO in October 1998, and since then, WIPO has been assisting the least developed countries in building up or upgrading their intellectual property offices. At present, through its nationally focused action plans, WIPO has about 44 projects in 38 of the least developed countries (only 38 have acceded to the WIPO Convention) in the field of copyright, industrial

property, and folklore. WIPO maintains a close network of contacts with officials in the least developed countries, including focal points who assume overall responsibility for coordination at the national level. WIPO also provides advisory services in the areas, *inter alia*, of modernizing management systems, streamlining administrative procedures, and copyright and related rights to intellectual property offices in the least developed countries and has sponsored visits by some officials of the least developed countries to offices in industrialized countries to study various aspects of modernization. With a view to increasing awareness of the least developed countries to the importance and implications of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), WIPO has organized interregional, regional, subregional and national meetings for the least developed countries on the Agreement.

65. The World Trade Organization (WTO) played a pioneering role in organization of the High-level Meeting of October 1997 and is actively involved, in collaboration with other participating agencies (IMF, ITC, UNCTAD, UNDP, and the World Bank), in the follow-up to its outcome, particularly in the implementation of activities under the Integrated Framework. The High-level Meeting and the Integrated Framework have resulted in WTO's increasing its technical assistance activities to the least developed countries. Those activities include the organization of 19 national seminars and four regional seminars exclusively for the least developed countries and 17 regional seminars in which officials and representatives from the private sector and from academic institutions in the least developed countries participated. Two short trade policy courses were organized in 1998, and two other such courses are scheduled for 1999. WTO also undertook 16 technical missions to assist individual countries among the least developed in their implementation of WTO obligations, with a view to enhancing their participation in the multilateral trading system.

66. Two recommendations emanating from the two thematic round-table discussions at the High-level Meeting, on accession of the least developed countries and trade policy review, relate directly to the work of WTO, which has been trying to streamline the accession of Cambodia, Lao People's Democratic Republic, Nepal, Samoa, Sudan and Vanuatu. Trade policy reviews have so far been completed for 10 out of 29 WTO members among the least developed countries and preparations are under way for two more reviews in 1999.

V. International support measures

A. External resources

67. It was acknowledged in the Programme of Action that, given the magnitude of the development needs of the least developed countries and their limited capacity to generate an investible surplus, the volume, timeliness and terms of external financial resources would be critical and should correspond to the immediate short-term and long-term development needs of the least developed countries . It was emphasized that foreign assistance should serve to promote domestic growth and long-term economic development and transformation, so that eventually the least developed countries could reduce their dependence on aid. In order to achieve that, the development partners of the least developed countries committed themselves in the Programme of Action to a set of alternative aid targets and commitments.

68. However, despite these commitments, official development assistance (ODA) flows to the least developed countries started to decline in nominal terms in 1995, and there was a particularly sharp drop in the level of such assistance in 1996, by no less than $US 2.4 billion, in comparison with the previous year. The decline continued in 1997, when net ODA to the least developed countries fell further, by $ 0.7 billion, to $ 13.5 billion (as compared with $16 billion in 1990). Both bilateral and multilateral financing flows have been contracting over the past two years. Other official flows in the form of non-concessional, bilateral and multilateral finance to the least developed countries have remained modest ($0.2 billion net, in 1997). The least developed countries have not been able, in general, to compensate for the shortfall in official development finance by recourse to private financing. Private capital flows to the least developed countries from the Organisation for Economic Cooperation and Development (OECD)/ Development Assistance Committee (DAC) countries amounted to $ 1.1 billion on a net basis in 1997, up from $0.7 billion in 1996, when there was a significant increase in private flows for the least developed countries as a group.

69. As a share of the combined GNP of the donor countries members of OECD/DAC, total ODA has fallen for five consecutive years, from 0.33 per cent in 1992 — the level maintained during the first three years of the decade — to 0.22 per cent in 1997, the lowest ratio recorded since 1970 when the United Nations adopted the ODA target of 0.7 per cent of donor country GNP. Following this overall trend, ODA to the least developed countries has also contracted sharply. The share of aid to the least developed countries in

DAC donor GNP fell from 0.09 per cent at the outset of the decade to 0.05 per cent in 1996–1997. The recent fall in total ODA has resulted largely from cuts in the aid budgets of the G-7 countries. Aid from countries which are not members of the G-7 has, overall, remained broadly stable since 1992, with the ODA programmes of Ireland, Luxembourg, New Zealand and Portugal growing strongly and their aid to the least developed countries increasing in line with that overall growth. A positive development in 1997 was the progress made by Ireland, Luxembourg and Portugal which all achieved the 0.15 per cent target in that year — Ireland and Luxembourg for the first time. Four DAC members, Norway (the top performer in 1997, with 0.34 per cent of GNP going to the least developed countries), Denmark, Sweden and the Netherlands, have maintained their aid programmes and continued to meet the 0.20 per cent target to the least developed countries.

70. Prospects for a reversal of the trend of declining aid and renewed growth in total ODA are uncertain. ODA for development purposes will continue to compete with other claims for resources. The financial crisis which has spread from East Asia, civil unrest and war affecting large parts of sub-Saharan Africa as well as the Balkans, and plans for enhanced debt relief all increase competing claims on global resources and could contribute to a further reduction in traditional aid programmes.

71. There were, however, some positive developments recently. They include the continued high priority given to the least developed countries by a number of donors. The least developed countries also stand to benefit from the new aid policies of Germany and the United Kingdom of Great Britain and Northern Ireland. The latter has reaffirmed its commitment to meeting the 0.7 per cent ODA target and reversing the decline in its aid. In 1997, it was the sixth largest donor to the least developed countries in volume terms. Moreover, DAC members are discussing a measure to liberalize aid procurement which could enhance the effective use of aid resources in the least developed countries. In early 1999 negotiations were successfully concluded on replenishment of resources of IDA, the soft window of the World Bank and the African Development Fund, both of which are of vital importance to the least developed countries. Representatives of 39 donor countries agreed, in November 1998, on replenishment, which will allow IDA to provide concessional lending of $20.5 billion to the poorest developing countries over fiscal years 2000–2002. This was followed by agreement in January 1999 on the aid replenishment of the African Development Fund, amounting to some $3.4 billion.

B. External debt and debt relief

72. The external debt burden of the least developed countries continues to hamper efforts to mobilize more resources and acts as a constraint on their capacity to accelerate growth. The total external debt of the least developed countries as a group was $127.5 billion at the end of 1997, as compared with $130 billion at the end of 1996. This decline can be attributed mainly to lower ODA debts to OECD countries and a drop in claims held by non-OECD countries. Net multilateral lending increased only marginally. Debt service payments made by the least developed countries as a group amounted to $ 4.4 billion in 1997, as compared with $ 3.9 billion in the previous year.

73. Many of the least developed countries have been unable to meet their debt obligations fully and have accumulated payments arrears and rescheduled their debts. By mid-1999, a total of 21 of them had benefited from restructuring on concessional Naples or Lyon terms of their bilateral official debt with Paris Club creditors. Three new Paris Club agreements on Naples terms were concluded with the least developed countries in 1998 and early 1999 — for the Central African Republic, Rwanda and Zambia. In addition, Mozambique and Uganda obtained incremental relief on previously restructured Paris Club debts as part of the assistance under the Heavily Indebted Poor Countries (HIPC) initiative. These were among the first restructuring on Lyon terms, involving 80 per cent debt or debt service reduction on eligible obligations, as compared with 67 per cent under the Naples terms.

74. Of the 48 least developed countries, 30 are HIPCs and stand to potentially benefit from the initiative. By early 1999, 12 HIPCs, 8 of them among the least developed countries, had seen their cases reviewed under the HIPC initiative, and 7 of the least developed countries reviewed were expected to receive additional assistance under the initiative. Among the least developed countries, Uganda and Burkina Faso were declared eligible for HIPC assistance in 1997, and Mozambique and Mali qualified in 1998. Preliminary review of eligibility had been completed for Ethiopia, Guinea-Bissau and Mauritania, and a decision on the latter could be reached in the second quarter of 1999. Finalization of the debt relief packages for Ethiopia and Guinea-Bissau, however, was put on hold due to armed conflicts involving those countries. The eighth least developed country reviewed, Benin, was found to have sustainable debts and will not receive further relief beyond the exit debt stock reduction already agreed in the Paris Club.

75. While the HIPC initiative holds promise for eventually removing the debt overhang of the many severely indebted least developed countries, its implementations fall short of expectations. Most of the debtor least developed countries have not reached an exit from the debt restructuring process. Given the effects of the global financial crisis on commodity prices, such a goal has in fact moved further away. The declining commodity prices are likely to reduce export earnings for many of the least developed countries, thus further weakening their debt servicing capability.

76. A number of proposals have recently been made to improve the HIPC initiative. They include the proposals considered by the G-8 Summit in Cologne, the comprehensive review of the HIPC initiative initiated by IMF and the World Bank, and proposals made by the United Nations.

C. External trade

77. The share of the least developed countries in world trade — already very small — has been declining over the past two decades, from 0.8 per cent in 1975 to 0.4 per cent in 1997. The total value of their exports amounted to $23.4 billion in 1997, representing only 1.5 per cent of merchandise exports of all developing countries and less than one half the exports of Denmark. In the same year, only three of the least developed countries — Angola, Bangladesh and Yemen — had exports in excess of $1 billion. Whereas in developing countries, on the average, trade accounts for between 24 per cent and 26 per cent of GDP, in the least developed countries trade accounts for 9–16 per cent of GDP. The structure and composition of exports from the least developed countries overall show little diversification and have barely changed in the past two and half decades. At the six-digit level of the Harmonized Commodity Description and Coding System, out of the 5,000 products that are globally traded, exports from the least developed countries cover approximately 112 items. Although certain countries — such as Bangladesh, Haiti, Lao People's Democratic Republic, Madagascar and Myanmar — have a relatively diversified export structure, the export base of the vast majority of the least developed countries is typically limited to from two to three products. Processing is generally minimal; unprocessed and semi-processed primary commodities and minerals account for about 70 per cent of exports. Manufactured goods, essentially textiles and clothing, constitute about 20 per cent of the exports and are significant only for a few of the least developed countries, such as Bangladesh. Exports of services by all of the least developed countries, in 1995–1997, accounted for an estimated 19.7 per cent of the total foreign exchange earnings of those countries. Considerable variations were observed among the least developed countries in the share of service exports in total export receipts during the same period. The share ranged from very small service export ratios in Angola (5 per cent), the Sudan (5 per cent), Afghanistan (6 per cent), Malawi (6 per cent) or the Democratic Republic of the Congo (6 per cent), to very high ratios among the 12 least developed countries that have been predominantly exporters of services: Djibouti (94 per cent), Gambia (94 per cent), Kiribati (82 per cent), Samoa (81 per cent), Vanuatu (75 per cent), Comoros (74 per cent) and Maldives (74 per cent). In five of the latter seven least developed countries, the travel industry (tourists and other visitors) has been the leading foreign exchange earner. In Kiribati, 59 per cent of all export receipts, in 1995–1997, consisted of fishing licence fees and royalties.

78. Several initiatives have been undertaken to help the least developed countries to improve their trade performance. The Integrated Framework of the High-level Meeting covers activities related to institution-building, strengthening of export supply capacities, trade support services, trade facilitation capabilities, training and human resource development, development of trade-related infrastructure and assistance in the creation of a supportive regulatory and policy framework. At the High-level Meeting, a number of developed and developing trade partners of the least developed countries announced steps they are or would be taking on an autonomous basis to enhance market access for imports from the latter; other countries did so after the High-level Meeting. Formal notifications of further market access offered to the least developed countries have so far been received from Canada, Egypt, the European Union, Mauritius, Switzerland, Turkey and the United States of America. In its decision 445 (EX-16) on follow-up by UNCTAD of the outcome of the High-level Meeting, the Trade and Development Board requested the Secretary-General of UNCTAD to convene an ad hoc meeting on the Generalized System of Preferences (GSP), the Global System of Trade Preferences among Developing Countries (GSTP) and new initiatives for the least developed countries in the area of market access, in order to review their special provisions in favour of the least developed countries, propose measures to extend the necessary advisory services to enhance GSP/market access utilization, and follow-up and monitor the announcements made in that regard during the High-level Meeting. The ad hoc meeting was held in July 1998. It focused largely on follow-up to the announcements of new least development country preferences during and

subsequent to the High-level Meeting and review of proposals and state of implementation; the implications for trade and development of recent trends in GSP schemes and new initiatives for the least developed countries; and ways and means of enhancing the utilization of preferences through technical cooperation.

79. At its third session, in October 1998, the UNCTAD Commission on Trade in Goods and Services and Commodities discussed ways and means of enhancing the utilization of trade preferences by developing countries, in particular the least developed countries. The agreed conclusions and recommendations adopted by the Commission emphasized the continued relevance of the GSP and other trade preference systems as tools for development. Practical action such as extension of product coverage, the harmonization and simplification of rules of origin, and the simplicity of GSP schemes should be taken to ensure that a greater number of beneficiaries could utilize GSP advantages more frequently. The GSP and other trade preferences systems in favour of the least developed countries need to be accompanied by efforts to eliminate the deep-seated weakness of their supply capacities.

80. The market access initiative seeks to create stable and liberal demand conditions for exports and potential exports from the least developed countries. The former Director-General of WTO made a proposal to grant bound duty-free access for all products imported from the least developed countries. Most developed countries now grant duty-free treatment on the basis of GSP to a variety of products from the least developed countries. The European Union has extended the duty-free treatment it gives to Lomé products Convention members to the least developed countries as a whole. Other developed countries have also liberalized some products. But much remains to be done. The GSP treatment is not binding, and many sensitive products are excluded. Future trade negotiations will have to tackle industrial tariff reductions, especially considering that tariff peaks and tariff escalation persist in several sectors of export interests to the least developed countries. The autonomous offers on market access made at the High-level Meeting and subsequent to it should be made contractual in order to guard against future withdrawal or unforeseen changes that would make such access non-transparent and unstable.

VI. Conclusions and recommendations

81. The international community committed itself, in the Paris Declaration and the Programme of Action, to urgent and effective action, based on the principle of shared responsibility and strengthened partnership, to arrest and reverse the deterioration in the socio-economic situation in the least developed countries and to revitalize their growth and development. The international community, particularly the developed countries, collectively committed itself to a significant and substantial increase in supporting the efforts of the least developed countries to mobilize and develop their human capacities and the development of their economic base.

82. However, as the review above indicates, requisite progress has not been made in most of the least developed countries during the 1990s in realizing the overall objectives of the Programme of Action. The precarious socio-economic situation in the least developed countries and the structural weaknesses inherent in their economies continue unabated and relegated these countries to a weak competitive position in the current global economic setting. Globalization and liberalization have exposed additional supply-side constraints and have given new dimensions to traditional constraints in the least developed countries as they attempt to adjust to the new, more competitive international environment. Representatives of the least developed countries who met in the Coordinating Workshop for Senior Advisors to Ministers of Trade in the Least Developed Countries (June 1999) noted with grave concern that the numerous declarations, promises and commitments emanating from major global forums in favour of the least developed countries had, to a large extent, failed to materialize. As a result, the benefits from national policy reforms and adjustment programmes adopted by the least developed countries themselves were not fully realized and in some cases had had a negative impact. It was in this context that the Workshop called upon the international community to honour its commitments to its weakest members and provide concrete support commensurate with the development needs of the least developed countries. The Workshop further emphasized that the meaningful and beneficial integration of the least developed countries into the global economy and multilateral trading system required concrete actions by the least developed countries and their development partners to strengthen supply capacities of the least developed countries through, *inter alia*, development of physical and institutional infrastructure and human resource development, unencumbered and improved market access, increased ODA flows and debt relief.

83. In the area of trade, the least developed countries themselves will have to continue and deepen their efforts to create an enabling environment for promoting trade, investment and private sector growth. This will require domestic policy reforms in several areas, including

macroeconomic and trade policy, human resource development, technology and a modernized agricultural system, to increase output for domestic consumption and diversify production for exports. The least developed countries have to take into account that the special and differential treatment measures, including GSP, are merely interim measures designed to enable them to bridge the development gap and should be regarded as such. In the long run, the least developed countries effective participation in the multilateral trading system is more dependent on the programmes undertaken by those countries themselves — to make their production of goods and services more competitive — than on external factors.

84. The decision by the General Assembly, in its resolution 53/182, to convene the Third United Nations Conference on the Least Developed Countries, provides the international community with a unique opportunity to give the least developed countries a fresh deal at the dawn of a new millennium. In accordance with the mandate of the Conference, as set by the General Assembly, the Conference will assess the results of the Programme of Action at the country level, review the implementation of the international support measures, particularly in the areas of official development assistance, debt, investment and trade, and consider the formulation and adoption of appropriate national and international policies and measures for sustainable development of the least developed countries and their integration into the world economy.

85. The Secretary-General of UNCTAD, in his capacity as Secretary-General of the Third United Nations Conference on the Least Developed Countries, is making elaborate arrangements for a comprehensive and participatory preparatory process for the Conference at the national and global levels. This would provide the least developed countries and their development partners an opportunity to identify the critical constraints which impede the development of the least developed countries and the required policies and measures, both at the national and international levels, to overcome those constraints. The least developed countries themselves are playing a more proactive role, as evidenced by their recent meeting in Sun City and the comprehensive set of proposals they agreed upon there, which have been submitted formally to the preparatory process of the Third WTO Ministerial Meeting in Seattle.

86. The Third United Nations Conference on the Least Developed Countries itself will be preceded by a number of important global conferences, including the Third WTO Ministerial Conference, UNCTAD X, the Millennium Assembly, and the Conference on Finance and Development as well as the review meetings of past United Nations conferences on population, social development and women. It is imperative that the concern of the least developed countries should figure prominently in those events. The outcome of these meetings should help to build consensus around the issues to be addressed by the Third United Nations Conference on the Least Developed Countries.

87. The challenges facing the least developed countries are beyond their capacity to overcome on their own. International support measures — financial, technical and commercial — are of critical importance in continuing to influence their future growth and development. There is, therefore, an urgent need to reverse the current decline in ODA flows and continue to give the least developed countries priority in aid allocations. Decisive and early debt relief measures for the least developed countries would help in the releasing of scarce resources in order to boost social and human development expenditure and to finance investment in critical economic sectors. It would also improve prospects for private capital flows. Easing the supply-side constraints in goods and services is critical to enabling the least developed countries to utilize the enhanced market access provided to them.

Notes

[1] See *Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3–14 September 1990* (A/CONF.147/18), part one.

[2] See General Assembly resolution 50/103, annex.

[3] See *Human Development Report, 1993* (New York, Oxford University Press, 1993).

[4] See *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 26 April–6 May 1994* (United Nations publication, Sales No. E.94.I.18), chap. I, res. 1, annex II.

[5] See General Assembly resolution 45/199, annex.

[6] See General Assembly resolution 53/90, annex.

[7] See *Report of the World Food Summit, Rome, 13–17 November 1996* (WFS 96/REP).

[8] See *Final Report of the World Telecommunication Development Conference, Valleta, 28 March–1 April* (Geneva, ITU, 1998).